APPENDIX A

NATIONAL INTELLIGENCE COUNCIL: REGIONAL CONSEQUENCES OF REGIME CHANGE IN IRAQ

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NATIONAL INTELLIGENCE COUNCIL

Intelligence Community Assessment

Regional Consequences
of Regime Change in Iraq

ICA 2003-03
January 2003

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**National
Intelligence
Council**

ICA 2003-03

☐ Regional Consequences of Regime Change in Iraq

☐ *Prepared under the auspices of Paul R. Pillar,
National Intelligence Officer for the Near East and South Asia.
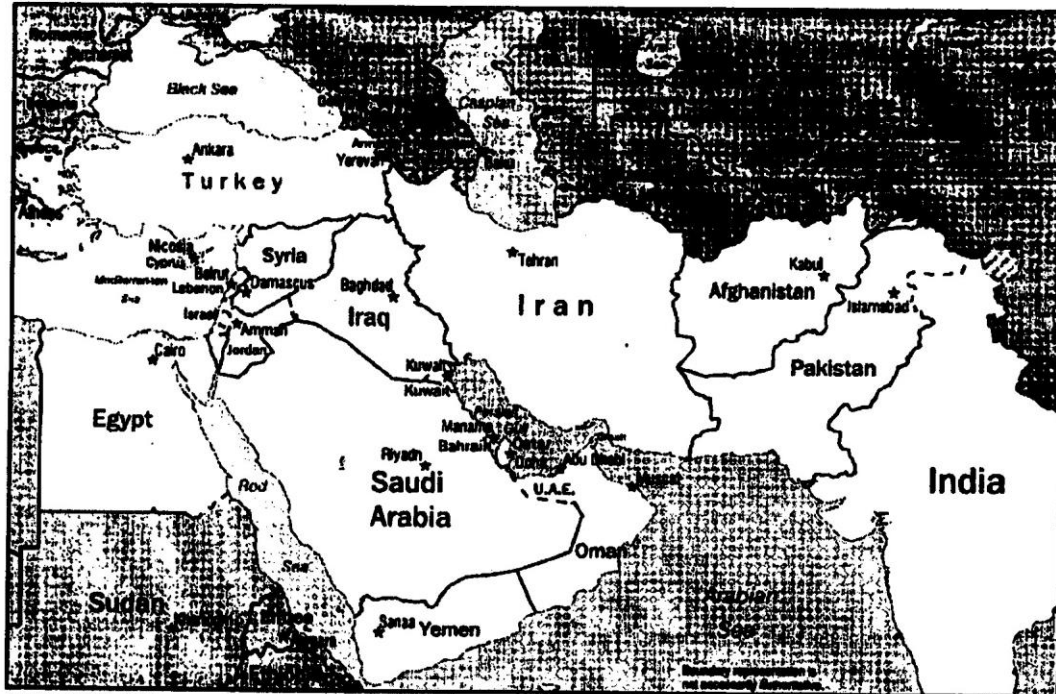Inquiries may be directed to the NIO on* ☐

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(U) Middle East and South Asia

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Scope Note

At the request of the Director of Policy Planning at the Department of State, this Intelligence Community Assessment (ICA) analyzes the most important political, economic, and social consequences of regime change in Iraq—in the context of current conditions in the Middle East and South Asia—for the surrounding region over a five-year period. The region considered includes Israel, the Palestinian territories, Jordan, Egypt, Libya, Turkey, Syria, Iran, Afghanistan, Pakistan, India, and the Arabian Peninsula countries. Sub-state actors are included where relevant to specific issues. The ICA also puts expected developments in the context of broader, strategic implications for the United States.

The analysis is based on a main scenario incorporating the assumptions below. Insofar as divergence from this scenario would create significant alternate consequences, those effects are noted throughout the assessment. Some judgments reflect the immediate impact of a war itself—particularly for regional stability and terrorism—but most deal with longer, post-war effects.

- *Saddam Husayn and key regime supporters are ousted as the result of a UN-sanctioned Coalition military campaign led by the United States in which Iraq's weapons of mass destruction (WMD) are eliminated. Israeli military forces do not become overtly involved in the conflict.*

- *Iraqi territorial integrity remains intact and Iraq retains a defensive capability against its neighbors, at first through the US presence and then through the recreation of a credible conventional military force.*

- *A US-backed government is established with a gradual devolution to Iraqi self-governance during the five-year timeframe. Beginning with a US-led military occupation for at least the first year, the United States maintains a long-term but declining military presence in Iraq to ensure stability, assist humanitarian efforts, and aid the development of functioning political institutions.*

- *UN sanctions are lifted but with some residual Oil-For-Food mechanisms intact to facilitate aid distribution.*

The ICA was reviewed in draft by three prominent experts on the history, politics, and regional dynamics of the Middle East.

Their comments were taken into consideration in the preparation of this paper.

Possible developments within Iraq following a removal of Saddam are addressed in ICA 2003-04, *Principal Challenges in Post-Saddam Iraq* (SECRET/

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Key Judgments

☐ **Regional Consequences of Regime Change in Iraq**

☐ The repercussions within the Middle East and South Asia of ousting Saddam Husayn through military force would depend not only on the length and course of the war and post-war developments within Iraq but also on pre-existing conditions in the region. These conditions include generally closed political systems, unfavorable economic and demographic trends, significant support for radical Islamist groups and ideologies, and widespread opposition to US policies—particularly regarding the Arab-Israeli conflict—and suspicion of US motives in the region.

☐ A US-led war against Iraq would precipitate immediate popular anti-US demonstrations in many countries in the region, but local security forces probably would be able to contain such disturbances.

- A drawn-out war with numerous civilian casualties probably would produce more severe unrest than a quick and less bloody conflict.

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- The long-term presence of US troops in Iraq would be a target of future potentially violent demonstrations, fueled by perceptions that the United States was seeking to dominate the region and its resources and was hostile to Arab and Muslim interests.

- Although Saddam is unpopular with many Arabs, most do not wish to see a US military campaign against Iraq. Clear evidence that the Iraqi people welcomed the United States as a liberator, however, would help to dissipate public anger in the region, as would reduced Israeli-Palestinian violence and greater US engagement toward a resolution of the Arab-Israeli conflict.

☐ A US-led war against and occupation of Iraq would boost political Islam and increase popular sympathy for some terrorist objectives, at least in the short term.

- A heightened terrorist threat resulting from a war with Iraq, after an initial spike, probably would decline slowly over the subsequent three to five years. Regime change in Iraq would be unlikely to affect Palestinian terrorism significantly.

- For many Arabs and Muslims, however, an Iraqi defeat would be a jarring event that would highlight the inability of existing regimes to stand up to US power.

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- Increased popular Islamist sentiment would bolster both extremist groups and, in some countries, Islamic political parties that seek to gain power peacefully.

- Al-Qa'ida and other terrorist groups would try to exploit the war and the anti-American sentiments expressed during and after the conflict by accelerating their anti-US operations, and al-Qa'ida would try to take advantage of US attention on post-war Iraq to reestablish its presence in Afghanistan.

- The direct effect of regime change in Iraq on al-Qa'ida's operational opportunities inside Iraq would depend on the degree to which a new Iraqi government established control over its territory.

(S//NF) Neighboring states would jockey for influence in the new Iraq, with activities ranging from humanitarian and reconstruction assistance to fomenting strife among Iraq's ethnic and sectarian groups.

- [redacted] Some elements in Iran could try to use their contacts in the Kurdish and Shia communities to sow dissent against the US presence and complicate the formation of a new, pro-US Iraqi government. [redacted]

- [redacted]

(S//NF) Governments in the region would adjust their foreign and security policies to accommodate US military preeminence without appearing to subordinate their policies to Washington.

- The defeat of Iraq probably would encourage some government [redacted] to continue close security relations with the United States and would enhance already strong US ties with other states [redacted]

- Over the long run, an outcome that installed a credible Iraqi regime and visibly improved Iraqi living conditions would increase the willingness of regional governments to cooperate with the United States.

- Much would depend, however, on how domestic populations in the region viewed the US role in Iraq. Some governments [redacted] political reasons would de-emphasize public forms of cooperation with the United States even if they were willing to cooperate privately.

- Middle Eastern states would have increased interest in forging new political and security relationships as counterweights to strong US influence. The European Union, Russia, and

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China would be potential partners. Within the region, Arab states and Iran would have added reason to expand relations with each other.

Regional states would maintain their current interests in weapons of mass destruction (WMD) and programs for developing such weapons, despite worries about possible future US military action.

- Some states [ ] would continue to view WMD programs as necessary components of an overall security strategy for numerous reasons, including surviving in a dangerous neighborhood, enhancing regional prestige and influence, compensating for conventional military deficiencies, and deterring perceived threats from such stronger adversaries as Israel [ ] and the United States.

- States with developmental WMD programs would try to increase the secrecy and pace of those programs with the hope of developing deterrent capabilities before they could be pre-empted.

Many in the Middle East would expect the United States to build on its victory over Iraq by taking a more active role in resolving the Israeli-Palestinian impasse. The willingness of regimes to cooperate with Washington on many issues would depend significantly on whether those expectations were met.

- Resolution of the Israeli-Palestinian conflict would continue to depend on the willingness of both sides to make basic compromises and on outside help in initiating and sustaining a viable peace process.

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The impact on regional economies would be mostly negative but variable, with much of the effect depending on how much damage the Iraqi oilfields sustained during the war.

- Oil prices probably would spike to at least $40 per barrel during—and in the run-up to and immediate aftermath of—a war because of uncertainty regarding the disposition of Iraq's oil resources. Prices could go substantially higher if a war overlaps with the strikes in Venezuela's oil sector, which have disrupted about 2.7 million b/d of exports. A quick return of Iraq's output to something near its current capacity of 3.1 million b/d, however, would put downward pressure on prices and could set off a battle for market share among Saudi Arabia and other OPEC members, possibly leading to a collapse both of prices and of OPEC's cohesion.

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- Syria, Jordan, and Turkey would lose critical spending power, jobs, and trade in non-oil goods made possible by their current heavily discounted oil imports from Iraq

- Flows of tens, if not hundreds, of thousands of refugees and losses in trade, worker remittances, and tourism   would slow economic activity throughout the region.

Whatever value Iraq would have as a democratic exemplar would rest on the stability and success of a new Iraqi government and on the degree to which democracy in Iraq were seen as developing from within rather than imposed by an outside power.

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- The strength of the Iraq example would depend heavily on US success in ensuring that a new Iraqi government was not seen in the region as primarily a US creation.

- On balance, however, political and economic reform in other regional states would continue to face significant obstacles and would continue to be influenced as much by conditions, events, and debates within each country as by the example set by a more liberal and democratic Iraq.

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Discussion

Regional Consequences of Regime Change in Iraq

(U) Setting the Stage

(U) The ouster of Iraqi dictator Saddam Husayn through military force would be one of the most significant events in the Middle East in recent years. The war itself, sudden political change in a major Arab state—with the departure of a leader who started two earlier wars—and an expanded direct role in the region for the United States all would have repercussions beyond Iraq. Governments, publics, and groups across the region would react to these changes.

(U) These reactions, however, would take place within a complex set of pre-existing political, economic, and social realities, most of which would not be affected by a change of regime in Baghdad. This regional context would be at least as important as the removal of Saddam in shaping behavior important to US interests. In some respects a war against Saddam would reinforce existing perceptions and patterns of behavior. In other respects the contextual factors would tend to temper or negate what otherwise might have been a result of Saddam's ouster.

(U) The most important aspects of the Middle Eastern context are:

- Unresolved conflicts and disputes involving Middle Eastern states. The Israeli-Palestinian conflict is the most salient, with the greatest regional impact.

- Unpromising demographic and economic trends, including significant youth bulges and high unemployment in many countries, that offer most Middle Easterners little promise of a more prosperous life.

- Generally undemocratic and ineffective political systems ruled by entrenched elites.

- Substantial political extremism, chiefly in the form of radical Islamist groups and ideologies.

- Widespread popular distrust of the United States and disappointment with US policies in the region, primarily related to the Arab-Israeli conflict.

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(U) Popular Reactions

A US-led war against Iraq would precipitate immediate popular anti-US demonstrations in many countries in the region driven by perceptions that the United States was waging a broader war against Muslims and that Washington was driven primarily by motives other than reducing the security threat from Saddam Husayn. Local security forces probably would be capable of containing popular uprisings and have taken measures to increase their readiness. Some governments, however, would be more vulnerable, especially if the focus of the protests shifted from the United States to the local regime or if the United States acted unilaterally without the political cover of a UN resolution authorizing the use of force.

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- Recent polling data from many countries in the region reveal strong opposition to a US war in Iraq, increased anti-American sentiment, and a widespread belief that the United States is anti-Muslim.

- Most governments would allow some open opposition to the war as a safety valve to deflect pressure but would act to prevent attacks against US assets or interests. Many regimes also would adjust their public postures to appear attuned to the opinion of the "street" and avoid being labeled US "puppets."

- Unrest would be more severe in response to a longer war with numerous civilian casualties but milder in response to a quicker and less bloody conflict.

Media coverage of large numbers of Iraqi civilian casualties attributed to US operations, public revelations about operational or logistical support for US forces in Iraq, an upsurge in Israeli-Palestinian violence, or the perceived failure of the local government to resist alleged US "hegemonic" intentions would increase the likelihood of violent protests,

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Anti-Saddam sentiment—high in many states—would not necessarily correlate with favorable popular attitudes toward the United States.

- Public anger probably would dissipate if the Iraqi people were seen as welcoming the US presence.

- Reduced Israeli-Palestinian violence, greater US engagement toward a resolution of the Arab-Israeli conflict, and the establishment of a Palestinian state also would calm restive publics and lessen the influence of Baghdad's portrayal of Saddam as a champion of the Palestinian cause.

The long-term presence of US troops in Iraq—particularly if the result of US unilateral action—and elsewhere in the region

probably would be a subject for future potentially violent demonstrations fueled by perceptions that the United States was seeking to dominate the region and its resources and was fundamentally hostile to Arab and Muslim interests.

- Unlike Afghanistan, Iraq is part of the Arab core, and the use of US military force against a fellow Arab Muslim country—absent a clear provocation—probably would be viewed with widespread antipathy.

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(U) Arab Popular Opinion—1991 and 2003

Arab popular opinion is more anti-American than it was when the United States led a Coalition military campaign against Iraq in Operation Desert Storm. Consequently, there is greater potential now than in 1991 for damaging popular responses to a US-led war. Several factors underlie the more negative attitudes of today.

The United States as Sole Superpower. The position of the United States as the preeminent global power makes it almost universally suspect and adds a sharper edge to all Arab grievances. Although at the time of Desert Storm the Soviet Union was fading fast and only months away from collapse, the memory of its ambitious global agenda and recently concluded aggression in Afghanistan was still fresh in Arab minds, diverting some attention from perceived US failings.

A More Serious Arab-Israeli Conflict. The first Palestinian *intifadah*, which began in 1987 and was ongoing at the time of Desert Storm, was tame in comparison with the current Israeli-Palestinian violence. Moreover, in 1991 expectations for realizing Palestinian national aspirations had not yet been raised and shattered, as they later would be with the Madrid and Oslo processes.

(continued...) (U) Arab Popular Opinion—1991 and 2003

Independent Arab Broadcast Media. In 1991 there were virtually no regional alternatives to heavily controlled state broadcast media. Media in moderate Arab states tended to shy away from aggressive coverage of developments involving the United States, lest governments with close ties to Washington be subject to domestic blowback. The rapid growth over the past decade of independent Arab media—especially the Qatar-based al-Jazirah satellite television station—has contributed significantly to negative views of the United States. The daily spectacle of Israeli-Palestinian violence has been brought to Arab living rooms, sometimes with an inflammatory spin.

Greater Sympathy for Iraq. In addition to the distinction that Arabs would draw between a reversal of Iraqi aggression against another Arab state and a war initiated by the United States, 12 years of sanctions against Iraq have reinforced perceptions that Washington is anti-Arab. Although the UN Security Council has imposed these and other sanctions against Arab states, most Arabs view them as US-driven and aimed at weakening not just the Saddam regime but Arabs in general. Unlike in 1991, when key Arab states including Saudi Arabia, Egypt, and Syria openly supported military action to expel Saddam from Kuwait, none of these states is calling for or willing to directly participate in a US-led attack against Baghdad.

Stronger Islamist Movements. Islamist movements—including both the militant and relatively moderate varieties—were more inchoate and less influential in the region in 1991 than they are now. In particular, al-Qa'ida had not yet emerged as a prominent ideological organization stoking hatred of the United States.

The scarcity until recently of polls in most Arab and Muslim countries makes rigorous tracking of trends in opinion difficult. Recent surveys, however, point to marked anti-Americanism in the Middle East. Gallup polls taken in early 2002, Pew polls taken in summer 2002, and a State Department-sponsored poll showed favorable opinion of the United States in that region to range from a high of 37 percent among Kuwaiti citizens to 25 percent in Jordan, 16 percent in Saudi Arabia, 12 percent in Iran, and six percent in Egypt. Adjectives that Middle Eastern respondents frequently apply to the United States in polls taken by Gallup are: ruthless, aggressive, conceited, biased, arrogant, and easily provoked. Perceived US attitude toward Muslims and Islam also influence opinion. State Department-sponsored polls taken in September 2002 in Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, and Jordan showed majorities of between 64 and 96 percent believing that the United States does not respect Islam.

(U) Terrorism and Islamic Extremism

Iraq's defeat and occupation at the hands of the United States would deliver to the Middle East one of the largest political-psychological shocks the region has seen since the Arab defeats by Israel in 1948 and 1967. Just as those events contributed in following years to the rise of radical regimes in the region and the growth of such social and political movements as Nasserism and Islamic extremism, US actions in Iraq probably would have similarly wide-ranging but largely unpredictable consequences.

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(U) Fueling Political Islam

A US-led defeat and occupation of Arab Iraq probably would boost proponents of political Islam. Amid feelings of confusion, despair, and a renewed sense of victimization, calls by Islamists for the people of the region to unite and build up defenses against the West probably would resonate widely even though Saddam had little popular support.

- An Iraqi defeat would highlight in the public mind the incapacity of current Arab regimes either to challenge the United States or to enact meaningful reforms.

- Islamists could point to secular Iraq's downfall as an example of the "mistake" of straying from Islam.

- Fear of US domination and a widespread belief that the US secret agenda was to make the region safe for Israel probably would attract more angry young recruits to political activism and the extremist ranks.

- In some countries, an increase in Islamist sentiment also probably would take the form of greater support for Islamic political parties that seek to come to power through legitimate means.

(U) How Terrorists Might React

An Iraqi defeat probably would heighten popular sympathy for some terrorist objectives in the near-term, increasing the threat against US officials, facilities, and businesses that were closely associated with America and its allies—especially Israel.

- US action in Iraq against one of Islam's most oil-rich countries would tend to substantiate in some minds one of al-Qa'ida's most effective messages—that the United States is out to enrich itself at the expense of Muslims. Al-Qa'ida almost certainly would attempt to portray the war as not just against al-Qa'ida or Saddam but also against Islam as a whole.

- Funds for terrorist groups probably would increase as a result of Muslim outrage over US action. Besides direct contributions, more money would flow into Islamic charities that could be skimmed off for terrorist purposes.

- Some militant Islamists in Iraq might benefit from increases in funding and popular support and could choose to conduct terrorist attacks against US forces in Iraq.

- Israeli involvement in a war against Iraq would be a lightning rod for increased terrorist attacks against both Israel and Israeli and US interests worldwide.

- Use of violence by competing factions in Iraq against each other or the United States—Sunni against Shia; Kurd against Kurd; Kurd against Arab; any against the United States—probably also would encourage terrorist groups to take advantage of a volatile security environment to launch attacks within Iraq.

Al Qa'ida probably would see an opportunity to accelerate its operational tempo and increase terrorist attacks during and after a US-Iraq war. The group would be looking for conflict with Iraq and its aftermath—as with previous wars or crises—to divert US attention and resources from counterterrorist efforts; for US and allied security measures, particularly around "soft" targets, to suffer; and for many countries—including some US allies—to slacken efforts to hunt down al-Qa'ida and its associates within their borders.

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- Iraq itself still might not be one of al-Qa'ida's favored locations for attacks, given the group's greater operational presence elsewhere.

- Al Qa'ida, nonetheless, probably would try to exploit any postwar transition in Iraq by replicating the tactics it has used in Afghanistan during the past year to mount hit-and-run operations against US personnel. Support for these operations would come from its network on the Arabian Peninsula and its Kurdish associates in northeastern Iraq.

- Al-Qa'ida—which has not given up its fight in Afghanistan—probably would try to step up its efforts to re-establish its presence there while the United States was diverted with concerns in postwar Iraq.

To the extent that a new Iraqi government effectively controlled its territory, especially in northern Iraq, and was friendlier to US interests and backed by US military power, al-Qa'ida's freedom of movement inside Iraq almost certainly would be hampered.

- If al-Qa'ida mobilized significant resources to combat a US presence in Iraq, it could, at least in the near term, reduce its overall capability to strike elsewhere.

The lines between al-Qa'ida and other terrorist groups around the world, especially local militants, increasingly could become blurred in the wake of a US attack and counterattacks by al-Qa'ida and jihadists. The targeting by less capable groups and planners operating on short notice would mean that such softer targets as US citizens overseas would become more inviting for terrorists.

- Attacks could come not only from al-Qa'ida and other organized Sunni and Shia extremist groups but also unaffiliated Muslims as well as left-wing and anti-imperialist groups.

- In Turkey, the leftist Revolutionary People's Liberation Party/Front (DHKP/C, formerly Dev Sol), although weakened over the past decade, could target US interests as it did during the 1990-91 war with Iraq.

The threat from terrorism resulting from a war with Iraq, after an initial spike, probably would decline slowly over the next three to five years. If effective counterterrorist operations continued, democratization and economic reform began to take hold in Iraq and elsewhere in the region, and Arab-Israeli tensions eased, the terrorist and Islamist appeal most likely would decrease. These developments would depend, however, on how quickly political and economic reforms were translated into tangible improvements in the daily lives of people.

- Terrorists probably would feel increasingly threatened if popular outrage against the United States began to subside and political and economic opportunities increased in Iraq or elsewhere in the region. These fears might lead to increased terrorism in the short-term as terrorists attempt "last-gasp" displays of strength to bolster support.

(U) Palestinian Groups—A Special Case

Regime change in Iraq would be unlikely to affect Palestinian terrorism significantly. The effects that a US-led war in Iraq would have on support for extremist causes in the rest of the Arab and Muslim worlds, however, also would be felt among the Palestinians.

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- Iraq has increased its financial support and training for Palestinian terrorist groups over the past year, and some Iraqi payments to Palestinian groups have gone to the families of members of HAMAS, the Palestine Islamic Jihad, and the al-Aqsa Martyrs Brigades. These payments appear not to have had a significant effect on suicide bombings and other violent attacks against Israeli targets because the most important Palestinian terrorist group—HAMAS—does not depend on Iraqi encouragement or material assistance for its continued operations.

- Palestinian terrorist capabilities and popularity would depend more on Israeli actions than on what happens in Iraq.
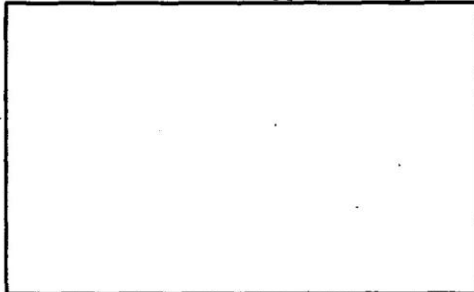
- A favorable political and economic outcome in Iraq in combination with visible US engagement in a functioning peace process could, however, reduce both recruits and money for Palestinian terrorism over the longer term.

(U) State Sponsors of Terrorism

A quick US victory over Iraq would increase the fears of Syria and Iran that they would become targets of future US military operations. Neither regime would be persuaded to end its support for terrorism, although Damascus would feel increased pressure to clamp down on Palestinian terrorist groups based in Syria. Damascus and Tehran probably would avoid sponsoring terrorist attacks against the United States unless they believed US attacks on them were imminent.

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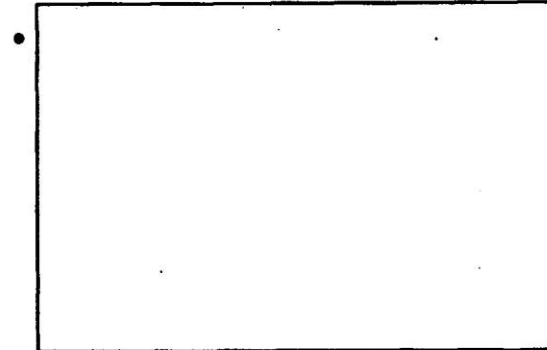
- Tehran's longstanding view of Israel as a threat to Iranian interests, as well as continued ideological opposition to Israel's existence among many of Iran's clergy, would not change as a result of Saddam's ouster, leading Iran to sustain its funding of Hizballah and the Palestinian Islamic Jihad. In addition, some Iranian leaders might continue this support in order to preserve their ability to influence events in the Levant and the peace process and also maintain a contingency capability to attack US interests through surrogates.

- For the Syrians, Hizballah would remain its most important lever in pressuring Israel for the return of the Golan Heights.
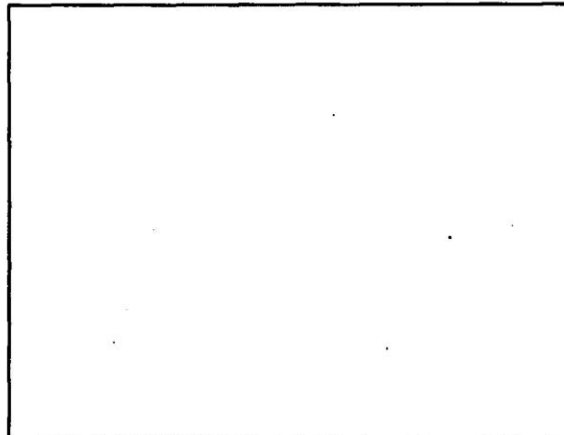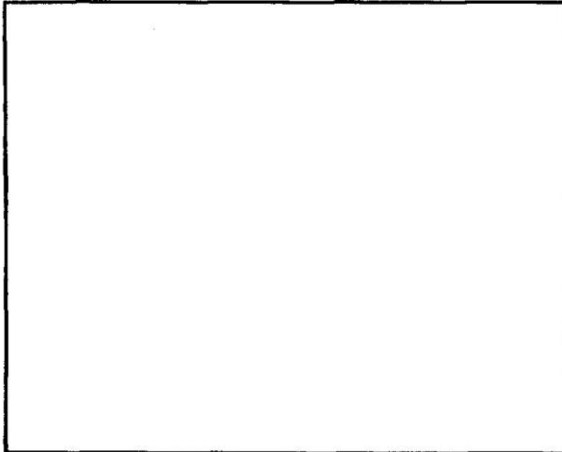
Saddam's departure would offer potential for enhancing relations between Iraq and its neighbors. Some rivalries and suspicions would linger, however, and perhaps intensify depending on the nature of the new government.

(U) Roles in a post-Saddam Iraq

The objective of most Middle Eastern states regarding a post-Saddam Iraq would be for the territorial integrity of Iraq to remain intact and for a new regime to become neither a source of regional instability nor dominant in the region. The posture of various regional actors competing for influence in Iraq would depend, in part, on whether activities in Iraq were backed by UN resolution and would range from constructive involvement in such areas as humanitarian aid and reconstruction to activities more detrimental to US interests, including political meddling or fomenting strife among Iraq's ethnic and sectarian groups.
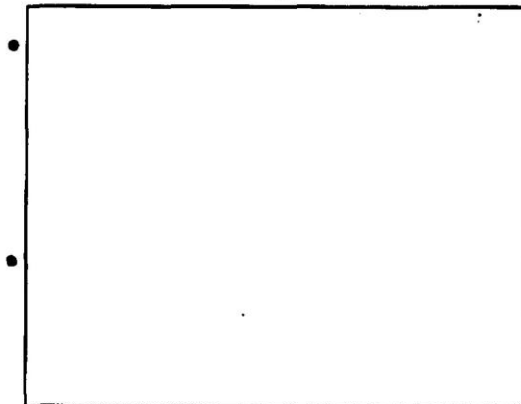
Iraq's immediate neighbors would have the greatest stakes in protecting their interests and would be most likely to pose challenges for US goals in a post-Saddam Iraq.

Iran. Iranian leaders would try to influence the shape of post-Saddam Iraq to preserve Iranian security and demonstrate that Iran is an important regional actor. The degree to which Iran would pursue policies that either support or undermine US goals in Iraq would depend on how Tehran viewed specific threats to its interests and the potential US reaction.

- Iranian officials would be concerned that significantly increased autonomy for Iraqi and Turkish Kurds could incite secessionist moves by Iran's approximately 5 million Kurds or that the United States would encourage Iranian Kurds to revolt.

- Some within the clerical establishment also would worry that an autonomous Shia entity might be created in southern Iraq, which would be a political and religious rival for Iran.

(U) Kurdish-Inhabited Areas
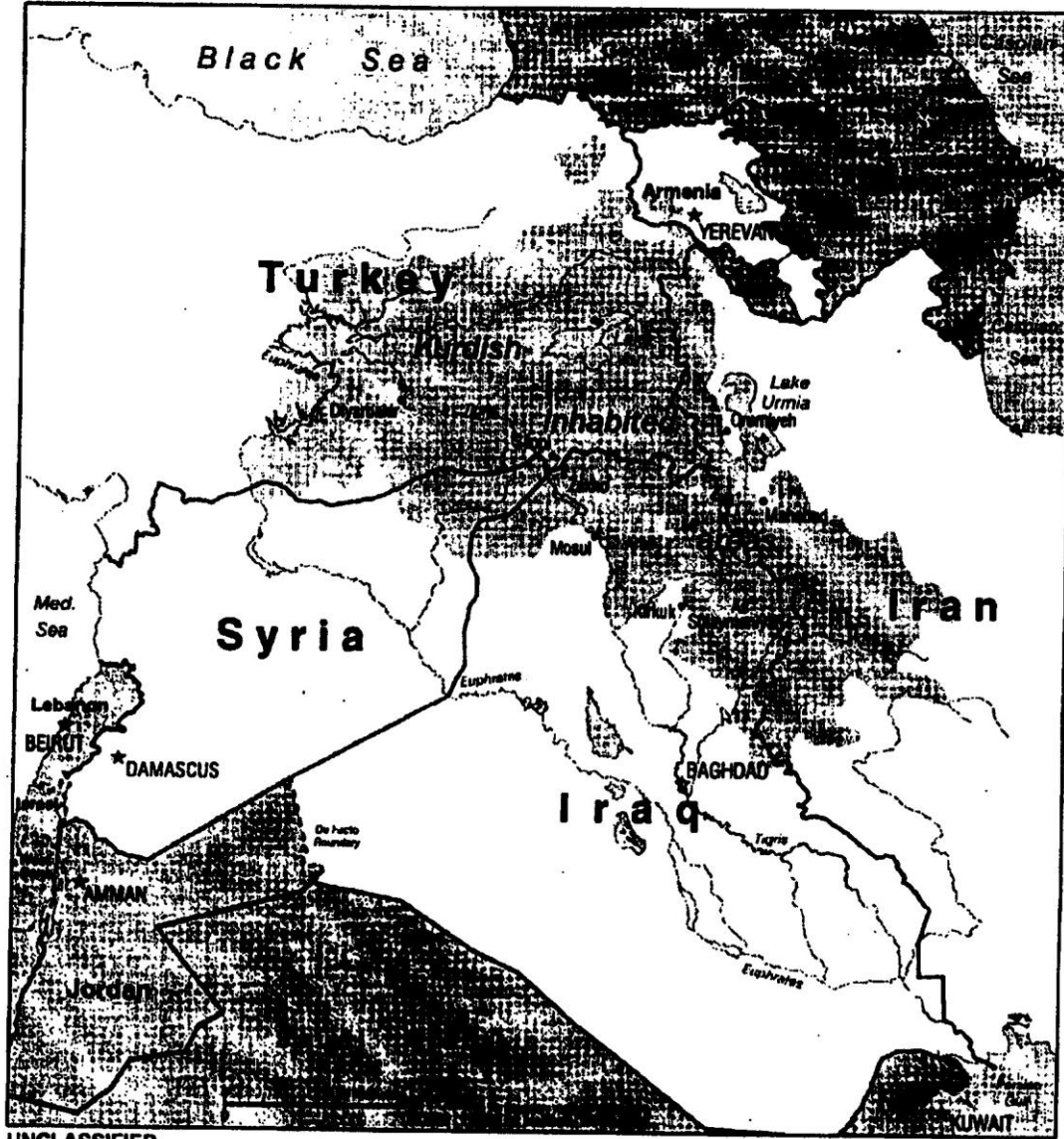
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- Greater autonomy for either of these groups, in Tehran's view, would increase their reliance on the United States at the expense of Iranian influence.

The more that Iranian leaders—reformists and hardliners alike—perceived that Washington's aims in Iraq did not challenge Tehran's interests or threaten Iran directly, the better the chance they would cooperate in the post-war period—or at least not actively undermine US goals.

- Guaranteeing Iran a role in the negotiations on the fate of post-Saddam Iraq—as it had at the Bonn conference for Afghanistan—might persuade some Iranian officials to pursue an overt and constructive means to influence reconstruction in Iraq. Giving Iran a say in this process also could give Tehran a stake in its success.

- The establishment—when possible—of a mechanism for US and Iranian officials to communicate on the ground in Iraq could

facilitate dialogue,

Some elements in the Iranian government could decide to try to counter aggressively the US presence in Iraq or challenge US goals following the fall of Saddam by attempting to use contacts in the Kurdish and Shia communities to sow dissent against the US presence and complicate the formation of a new, pro-US government.

- Elements in the regime also could employ their own operatives against US personnel, although this approach would be hard to conceal.

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military action against Syria, a loss of trade with Baghdad, or the break up of Iraq. Syria also would want the United States to push for renewed Israeli-Syrian peace negotiations aimed at returning the Golan Heights to Syria.

(U) Broader Security Policies and Posture Toward the United States

US-led regime change and a long-term US presence in Iraq would provoke the most significant security policy adjustments among Iraq's immediate neighbors. US antagonists such as Iran and Syria would face the challenge of accommodating US military preeminence without subordinating their regional interests to Washington. For US Arab allies, the post-Saddam era would raise strategic concerns that Iraq remained unified and a bulwark against Iran but also would raise fears that the expanded US presence in the region could spark domestic unrest in key Arab states.

- In the short term, governments in the region would try to balance domestic pressures against offending US interests. Overt government cooperation with the United States might suffer initially as authorities focused on domestic threats from jihadists who perceived new

Syria. The Syrians would view the prospect of a US-backed regime in Iraq as a threat. Syrian officials distrust Saddam but oppose his overthrow by the United States in part because they believe that removing Saddam from power is part of a US plan to change the political map of the Middle East and encircle Syria. Damascus would prefer an Iraqi leadership that could help counter a perceived Turkish-Israeli-Jordanian alliance but probably has limited ability to influence a successor regime in the near term. Syrian leaders would try to assert influence in a post-Saddam Iraq to prevent the United States from building a stable, pro-Western government there, although Damascus would carefully weigh the risks of such a policy.

- Damascus would continue to deepen its contacts with the roughly 30 Iraqi opposition groups represented in Syria in an attempt to maximize its influence in a post-Saddam Iraq.

- Syria might resist the temptation to meddle if given US assurances that Saddam's ouster would not lead to

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opportunities for helping to bring about Islamic governments.

- Over the longer run, an outcome that installed a credible Iraqi regime and visibly improved Iraqi living conditions would increase the willingness of regional governments to cooperate with the United States.

Beyond adjusting regional ties, Middle Eastern states would be likely to have a strategic interest in forging new global political and security relationships as counterweights to US regional preeminence. Europe's longstanding bid for trade and investment ties in the region, support for Palestinian nationalist aspirations, and pursuit of regional policies that often are independent of Washington would provide Arab states and Iran ample ground for expanded relations with the European Union. Similarly, China's potential future stake in Middle Eastern energy resources, drive toward expanded military capabilities, and traditional arms relationships with key regional states would make Beijing newly attractive to regimes unwilling to accede to indefinite and unbridled US regional influence. Russia's influence in energy markets and its status as a major arms supplier and member of the quartet on the Arab-Israeli peace process could be reasons that regional states would seek closer ties to Moscow. Within the region, Arab states and Iran would have added reason to expand relations with each other, although longstanding suspicion of Iranian intentions would limit such relations.

- Regimes might be even more willing to consider new policies if Israel were involved in the conflict because many in the region would view such involvement as coordinated with Washington to increase Israeli dominance in the region.

Iran. A prolonged US military presence in a post-Saddam Iraq would further increase Tehran's perception that the United States is a threat.

- The longer US forces remain in Iraq, Tehran would become increasingly convinced that the United States was bent on encircling Iran and that Iran could become a target of US military operations.

- Iran would increase the tempo of its intelligence gathering against US interests in Iraq to learn more about US intentions toward Iran.

Iran's suspicions of US intentions, however, would not preclude attempts to engage Washington more closely to enhance Iran's sense of regional security.

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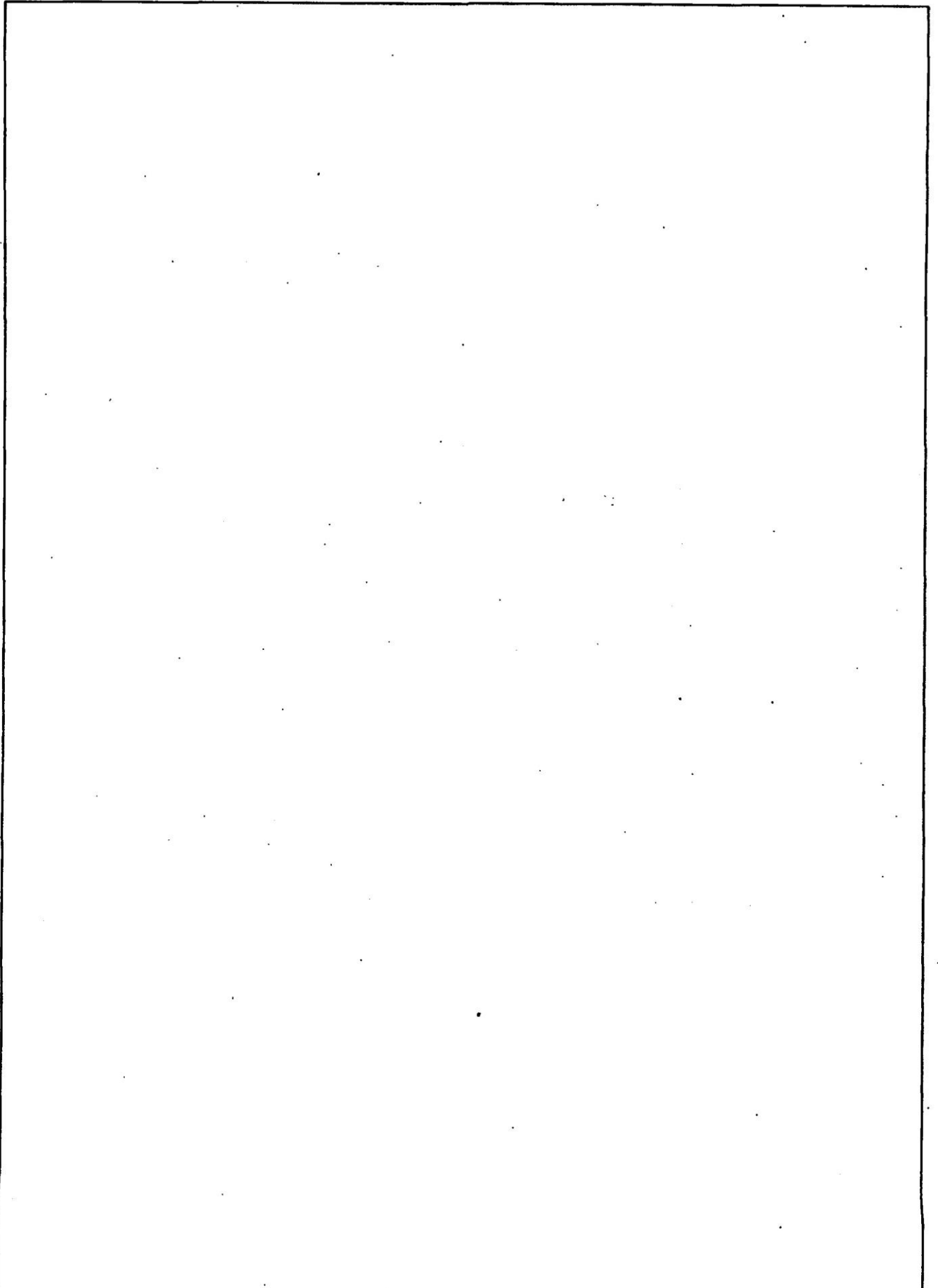
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Syria. The installation of a US-aligned regime in Baghdad probably would cause Syria to reassess but not significantly alter its core security policies and posture toward the United States. President Bashar al-Asad might moderate Syrian foreign policy somewhat if he assessed that such a change would help his regime retain power and make gains vis-à-vis the United States and Israel.

- Damascus probably would step up cooperation with Iran to enhance its ability to influence events in Iraq and maintain pressure on Israel from Lebanon as a reminder to Washington that it retained options if Syria perceived no movement on its regional objectives, especially the return of the Golan.

- Syria's cooperation with the United States against al-Qa'ida probably would continue. Syria views the counter-terror relationship as an important means of garnering US goodwill and would seek to preserve this avenue of communication unless Damascus concluded that it might become a target of US military operations.

(U) A Worse Scenario: Broader Rejection of the US Military Presence in the Middle East

Heightened regional suspicions about long-term US intentions following a US military campaign in Iraq, continued or increased violence in the Israeli-Palestinian conflict, growing popular anti-American sentiment, increased terrorist threats against regional regimes, and a new interpretation of threats to their own security could combine to prompt Arab states to seek the ouster of US military forces from their soil.

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(U) Weapons of Mass Destruction

The elimination of Iraq's WMD capabilities probably would not cause other regional states to abandon either their existing WMD programs or their desire to develop such programs. For many of the Arab countries of the Middle East, Iran, and South Asia, WMD programs would continue to be viewed as necessary and integral components of an overall national security posture for several reasons, including to survive in a dangerous neighborhood, enhance regional prestige, compensate for conventional military deficiencies, and deter threats from superior adversaries, particularly Israel.

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and defend the Palestinians, and moved military forces to Iraq's western region in 2000 ostensibly to deter Israeli military actions.

- Palestinians would continue to view such rejectionist groups as HAMAS and the Palestinian Islamic Jihad, which do not rely on Iraq, as more effective than Baghdad in pressuring Israel.

States also would be driven to acquire WMD capabilities or accelerate programs already in train with the hope of developing deterrent capabilities before the programs could be destroyed preemptively.

(U) Impact on the Arab-Israeli Conflict

Many in the Middle East would expect the United States to build on its victory over Iraq by taking a more active role in resolving the Israeli-Palestinian impasse. The willingness of regimes to cooperate with Washington on many issues would depend significantly on whether the United States met those expectations.

A change of regime in Iraq alone would have little impact on the course of the Israeli-Palestinian conflict, which would depend more on the political leadership on both sides and outside—primarily US—help in resurrecting a peace process. Most Palestinians view Saddam's rhetoric and actions championing the Palestinian cause as primarily symbolic and self-serving, but they applaud him anyway, especially because they see the actions of most other Arab leaders only as rhetorical.

- In addition to his payments to the families of Palestinian suicide bombers, Saddam has established a volunteer militia to "liberate" Jerusalem, given speeches calling on Israel's neighbors to step up

- If Israel became militarily involved in Iraq or used the conflict as a reason to take harsher action against the Palestinians or move militarily against Hizballah, Syria, or Lebanon, anti-Israeli sentiment would rise in the region, making renewed peace negotiations even more difficult.

Regime change in Iraq probably would not have a major impact on Yassir Arafat's current policy vis-à-vis the United States. Arafat in the last two years has not made a serious and sustained effort to stop Palestinian violence primarily because he perceives that the risks of such an undertaking would not merit the domestic political capital he believes he would need to expend, according to various sensitive reports. Arafat does not believe Israeli Prime Minister Sharon will ever negotiate seriously with the

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Palestinians and is pessimistic the United States would pressure Sharon into meaningful talks. As a result, Arafat—who feels his personal preeminence in Palestinian politics is unchallenged—probably would be content to let the security situation remain chaotic.
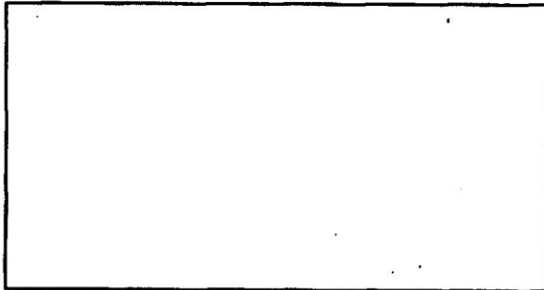
Palestinian views toward negotiating with Israel also might be affected by the degree to which they perceived that they continued to have support from other actors with the capability to pressure Israel—Hizballah, Iran, and Syria, for example.

Regarding Syria, an unambiguous US commitment to satisfy Palestinian national aspirations and revive Israeli-Syrian negotiations on the basis of the Madrid framework and UN resolutions would help ease Syrian suspicion toward the United States.

(U) Economic Consequences

The ouster of Saddam Husayn would have mostly negative but variable economic effects in the region, including potential decreases in oil revenues and non-oil trade, declines in tourism, and increased refugee flows.

World oil prices probably would spike to at least $40 per barrel during—and in the run-up to and immediate aftermath of—a war because of the uncertainty associated with a cutoff in Iraq's oil exports of roughly 2 million barrels per day (b/d). The impact on prices would depend on the level of damage to Iraq's oil infrastructure, industry expectations about the length of the disruption, the use of government-owned strategic stocks by consuming nations, and whether Venezuela's oil output remained disrupted by oil worker strikes. OPEC members would have the surplus capacity to offset lost Iraqi exports and have consistently pledged to compensate for Iraqi disruptions to stabilize the market, but a simultaneous loss of Venezuelan and Iraqi output would exceed their surplus capacity.

- OPEC ministers fear a prolonged period of high oil prices would harm the global economy, boost non-OPEC investment, and spur the development of alternative energy sources. OPEC producers with spare capacity also would be tempted to increase production to reap the windfall revenues from a spike in prices.

- Saudi Arabia's willingness to raise output would be crucial because Riyadh maintains more than half of global spare capacity—nearly 2 million b/d—and has strong influence over other Gulf exporters, which together hold another 1.2 million b/d.

- Prospects for a speedy resumption of Venezuelan output are unclear, and overlapping Iraqi and Venezuelan disruptions could remove a combined 5 million b/d from the world market, about equal to the disruption caused by the 1990-91 Gulf War and surpassing the 3 million b/d of surplus capacity in other OPEC producers.

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Over the longer term, oil prices could weaken and fall to about $15 per barrel if Iraqi oil production and exports expand and Venezuela returns to normal, other OPEC producers were unwilling to surrender market share to Baghdad, and global economic performance remains modest. Sustained low prices probably would lead to worsening economic and political conditions for some key OPEC producers, who would see growing budgetary pressures in an environment of lower oil prices and volumes and a need to cut fuel and other subsidies to their people due to lost revenues. All of Iraq's neighbors would want assurances that the Iraqi oil sector would be managed to protect their interests and that Baghdad would quickly reintegrate into the OPEC quota system.

- A quick return of oil output to or near Baghdad's current capacity of 3.1 million b/d would put downward pressure on oil prices that could set off a battle for market share among Iraq, Saudi Arabia, and other OPEC members, possibly leading to a price collapse and splits in OPEC's cohesion. The risk of a market share battle would grow if OPEC members believed Iraq was going to aggressively expand its capacity.

- Jordan, Syria, and Turkey would stand to lose critical spending power, jobs, and trade in non-oil goods made possible by the millions of dollars these countries saved annually from heavily discounted oil exports from Iraq.

Throughout the region, disruptions in trade and tourism plus flows of tens, if not hundreds, of thousands of refugees almost certainly would cause a slowdown in economic activity. Worker remittances, a key source of revenue for many countries, probably also would fall.

- Trade with Iraq, including under the UN Oil-For-Food program, accounted for about 20 percent of Jordan's GDP in 2001 and roughly 13 percent of its foreign exchange. Jordan and Syria both depend on their "special" relationship with Iraq to trade their goods and services, which may not compete well in other markets.

- Egypt relies on expatriate remittances from workers in Gulf states, which could be curtailed because of a war, to help its balance of payments. In addition, tourism traditionally is Cairo's largest source of foreign exchange and accounts for about 11 percent of GDP and some 15 percent of total employment.

- Jordan, Iran, and Turkey—already burdened by significant refugee populations—would be hardest hit by an influx of new refugees.

- If Saddam carried out his threats to ignite oil wells or destroy dams or if a WMD catastrophe occurs, the resulting humanitarian crisis could affect millions of Iraqis in addition to Coalition troops on the ground in some areas. These potential scenarios, as well as the possibility of extended combat operations in major Iraqi cities, would cost the international

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(U) Taking a Bite Out of Regional Economies

Tourism generates an important revenue stream for Egypt. Following the 11 September 2001 terrorist attacks in the United States, revenues fell by $1.3 billion last fiscal year and could sustain a similar decline in the aftermath of an attack on Iraq. Egypt also relies on expatriate remittances from Gulf states as a major source of foreign exchange, which probably also would decline after an attack on Iraq.

(U) A study that Turkey presented to the EU in August 2002 shows that a conflict with Iraq would cut Turkish economic growth in 2003 from 4.9 percent to 3.1 percent—a loss of about $3 billion mostly because a $500 million decline in exports and a $1 billion (15 percent) drop in tourism revenues.

Jordan imports all of its oil from Iraq—worth more than $1 billion per year at market prices—at deep discounts and in exchange for Jordanian goods. Termination of supply without a ready substitute at a similar discount would force Amman to make painful budget cuts to finance other sources of oil. A war also would hurt Jordan's vital export and tourism sectors. Jordan also supplies goods to Iraq through the Oil-for-Food (OFF) program. OFF contracts—many of which are for re-exports rather than Jordanian-origin products—totaled $870 million (10 percent of GDP) in 2001.

community several billion dollars in reconstruction and humanitarian aid.

Regional perceptions of the economic uncertainties associated with a post-Saddam Iraq probably would lead many states to seek US assurances that their losses would be compensated and to request billions in US

economic assistance including cash, civilian and military goods, debt relief, and increased access to US markets. US support for key political goals also could be sought.

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(U) Prospects for Democratic Reform

The exemplar of a more politically liberal Iraq probably would not, by itself, be a catalyst for more wide-ranging political and economic change throughout the region, although it could raise expectations in the small numbers of reformers in the region for greater political liberalization. Reform in any Muslim country, however, would be more the result of conditions, events, and debates

within that country than events elsewhere in the region. Regardless of how positively regional leaders viewed their relations with the United States and might want to accommodate US goals of political openness, the Middle East will remain a difficult environment in which to advance democracy and liberalism.

- The concepts of democracy and representative government are alien to most Arab Middle Eastern political cultures—grounded in histories that derive mainly from subjugation to larger empires and then to European colonial rule.

- Many states lack such important components of democracy as the concept of a loyal opposition, vibrant civil society institutions, respect for rule of law, transparency, and a strong middle class.

Many rulers in the region recognize the potential role of reform in economic expansion but fear a spillover into politics. In response to pressure to allow more public participation, some Arab leaders have taken a few tentative steps in the past decade to open their political systems. Some states have consultative councils that serve primarily as safety valves with no practical authority. These councils would be unlikely to evolve into true power-sharing bodies unless supported by regime elites.

- Even if leaders were convinced that political reform were necessary, they would face such obstacles as entrenched interests of the secular and religious elites.

The closed and unreformed political systems in many Arab countries also reflect complex sets of deals, understandings, and patron-client relationships that are based on long-standing ethnic, sectarian, or tribal

identities. Oil wealth has enabled some autocratic regimes to buy off their populations with a social contract that provides for the basic needs of the populace in return for maintaining the political status quo.

- Most regimes in the region so far have responded successfully to pressures to renegotiate fraying social contracts by the deeply ingrained habit of incrementalism—reforming and restructuring just enough to get by—and would be unlikely to break this habit easily.

Many leaders also have a long record of pulling back popular reforms—often by force—when they appear to empower groups beyond the traditional ruling elites. As long as radical Islamist sentiment remained strong in the region and secular, liberal alternatives remained weak, the possibility of Islamists winning free elections—as happened in Algeria a decade ago—would give some governments strong pause about opening up their political systems.

In the near-term, the use of US military force against Iraq may be more likely to stifle than nurture democratic movements in some regional states because governments would use political repression to quell violent public opposition to the war and perhaps to the local government's indirect association with it.

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- After a conflict, the long-term presence of US forces in Iraq also could fuel

perceptions that the United States was there to reshape the region as part of a larger war against Arabs and Muslims. Such perceptions might heighten calls for more radical Islamic systems of governance, [ ] which would cause regimes to clamp down even harder on oppositionists.

- Some regimes [ ] would continue to cite ongoing Arab-Israeli violence as the reason to continue repressive policies and delay reforms.

[ ] The manner in which a new government emerged in Baghdad, including involvement by the UN, and the relative success of policies such a government adopted would be important determinants of how it would be perceived by regional leaders and publics.

- A perception that democracy was "imposed" on Iraq would resurrect entrenched fears of colonialism and lessen further the likelihood that Iraq could serve as a model for political liberalization in the region.

- Confronted with a more liberal government in Iraq that was perceived as not imposed and as having improved the living standard for most Iraqis, an increasing number of Arabs probably would look inward at their own political culture and the reasons why it is dysfunctional, perhaps sparking more public debate about democratization. Lingering suspicion of the US role in the region, however, would tend to reinforce perceptions that the new Iraqi government was primarily a US creation.
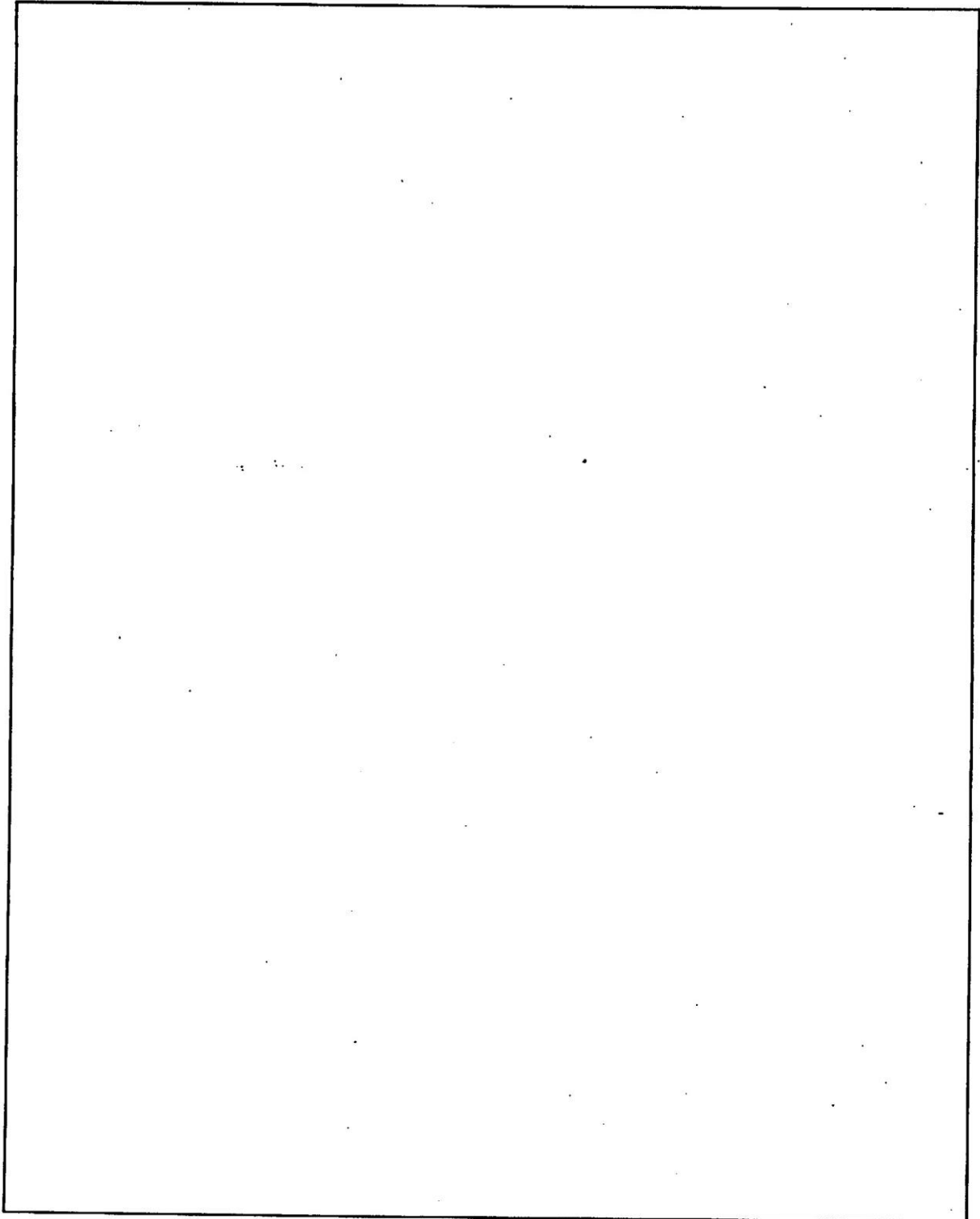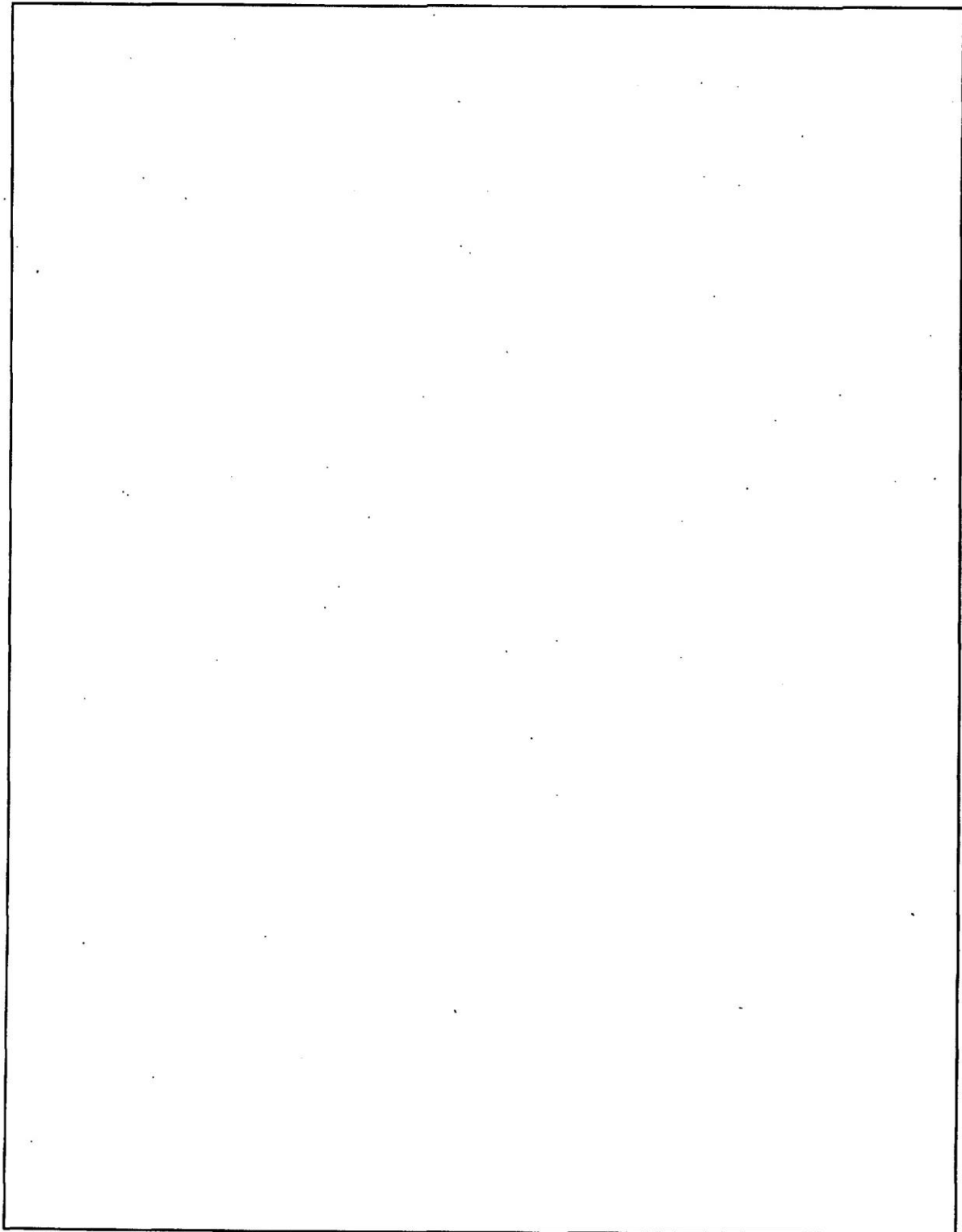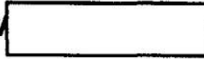
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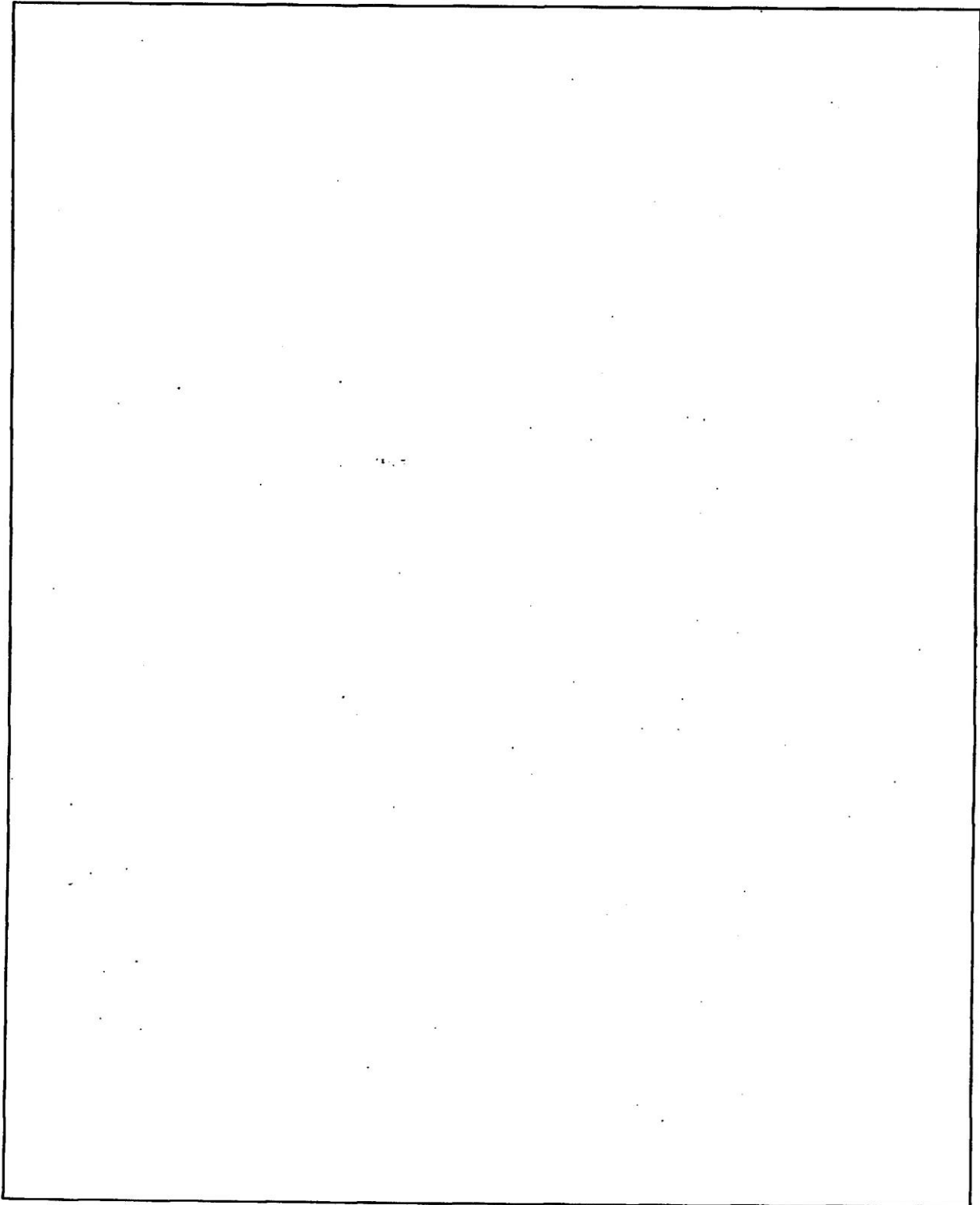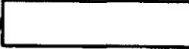
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A more democratic regime in Iraq could encourage civil society activists in *Syria* but also probably would stiffen regime resistance to reform. The Asad regime probably would view the example of a democratic regime in Iraq as a potential threat to authoritarian rule in Syria. Syrian officials privately would be concerned that removing Saddam could lead to instability in Iraq and increased demands for autonomy from minority groups in neighboring states, including the Kurds in Syria.

The country where regime change in Iraq would have the best chance to tip the political balance in favor of reform is *Iran* as both reformers and hardliners would probe for advantages.

- A quick and decisive Coalition victory in Iraq most likely would strengthen the hand of reformers favoring engagement and democracy-building at home as the most effective way to forestall a US attack.

- A prolonged and destructive war in Iraq probably would intensify the Iranian political divide. Hardliners could use the pretext of a potential US invasion to crack down and impose a state of emergency, tightening theocratic rule.
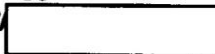
A post-Saddam Iraq also might serve as a haven for dissident Shia clerics opposed to the principle of clerical rule. Najaf and Karbala in Iraq are traditional seats of Shia Islamic scholarship to which dissident Iranian clerics could move—as did Ayatollah Khomeini prior to the 1979 revolution—to continue teaching and organizing outside Iran.

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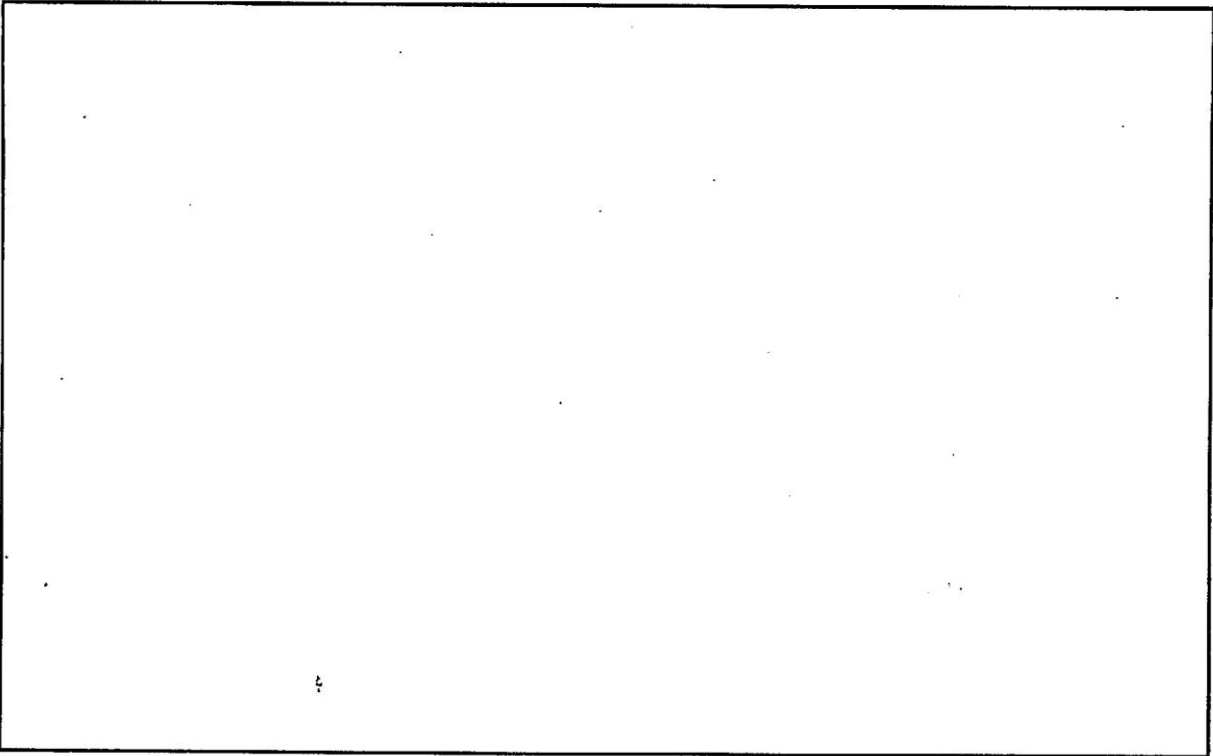
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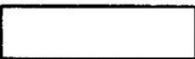|	
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